IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

In re:	§	
	§	Chapter 11
FIRST RIVER ENERGY, LLC,[1]	§	
	§	Bankruptcy Case No. 18-50085
Debtor.	§	
	§	

DISCLOSURE STATEMENT FOR THE DEBTOR'S PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

David W. Parham, SBN: 15459500
John E. Mitchell, SBN: 00797095
Scott D. Lawrence, SBN: 24087896
AKERMAN LLP
2001 Ross Avenue, Suite 3600
Dallas, Texas 75201
Telephone: (214) 720-4300
Facsimile: (214) 981-9339
david.parham@akerman.com
john.mitchell@akerman.com
scott.lawrence@akerman.com

Attorneys for the Debtor and Debtor in Possession

Dated: March 15, 2018

[1] The Debtor in this chapter 11 case, along with the last four digits of the Debtor's federal tax identification number, is: First River Energy, LLC (9656). The mailing address for the Debtor, solely for purposes of notices and communications, is 1862 W. Bitters Rd, Suite 300, San Antonio, TX 78248.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON FIRST RIVER ENERGY, LLC'S PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE DATED AS OF MARCH 15, 2018, AS AMENDED FROM TIME TO TIME (THE "**PLAN**"). NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR, THE LIQUIDATED DEBTOR, OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR SECURITIES LAWS OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR.

ALL CREDITORS THAT ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE ENTIRE DISCLOSURE STATEMENT FURNISHED TO THEM AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT PRIOR TO SUBMITTING A BALLOT PURSUANT TO THIS SOLICITATION. THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF. EACH CREDITOR SHOULD READ, CONSIDER, AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ARE URGED TO VOTE IN FAVOR OF THE PLAN. VOTING INSTRUCTIONS ARE CONTAINED IN THE SECTION OF THIS DISCLOSURE STATEMENT TITLED "VOTING INSTRUCTIONS." TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND RECEIVED BY DONLIN RECANO & COMPANY, INC. BY NO LATER THAN **_______________, 2018.**

THE PLAN PROPOSES EXCULPATION FROM LIABILITY AS TO THE DEBTOR AND VARIOUS OTHER PARTIES FOR CERTAIN ACTIONS IN CONNECTION WITH THE CHAPTER 11 CASE. ALL CREDITORS, HOLDERS OF EQUITY INTERESTS, AND OTHER PARTIES IN INTEREST ARE URGED TO READ CAREFULLY ARTICLE 12 OF THE PLAN ON EXCULPATION FROM LIABILITY.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

NO PERSON IS AUTHORIZED BY THE DEBTOR IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR. SUCH ADDITIONAL

REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR ACTION AS MAY BE DEEMED APPROPRIATE. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THIS DISCLOSURE STATEMENT IS DATED AS OF MARCH 15, 2018, AND CREDITORS ARE ENCOURAGED TO REVIEW THE BANKRUPTCY DOCKET FOR THE CHAPTER 11 CASE IN ORDER TO APPRISE THEMSELVES OF EVENTS WHICH OCCUR BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE OF THE CONFIRMATION HEARING.

IN THE EVENT THAT ANY IMPAIRED CLASS OF CLAIMS VOTES TO REJECT THE PLAN, (1) THE DEBTOR MAY ALSO SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN WITH RESPECT TO THAT CLASS UNDER THE BANKRUPTCY CODE'S "CRAMDOWN" PROVISIONS AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO SUCH REQUIREMENTS OR (2) THE PLAN MAY BE OTHERWISE MODIFIED OR WITHDRAWN.

THE REQUIREMENTS FOR CONFIRMATION, INCLUDING THE VOTE OF IMPAIRED CLASSES OF CLAIMS TO ACCEPT THE PLAN, AND CERTAIN OF THE STATUTORY FINDINGS THAT MUST BE MADE BY THE BANKRUPTCY COURT, ARE SET FORTH IN THE SECTION OF THIS DISCLOSURE STATEMENT TITLED "VOTING ON AND CONFIRMATION OF THE PLAN."

DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

INTRODUCTION

First River Energy, LLC (a **"Debtor"**) filed with the United States Bankruptcy Court for the Western District of Texas, San Antonio Division (the **"Bankruptcy Court"** or **"Court"**), a Plan of Liquidation under Chapter 11 of the United States Bankruptcy Code dated as of March 15, 2018 (as amended from time to time, the **"Plan"**). The Debtor's Disclosure Statement dated as of March 15, 2018 (the **"Disclosure Statement"**), is submitted pursuant to Section 1125 of the Bankruptcy Code, 11 U.S.C. Section 101, et. seq. (the **"Bankruptcy Code"**), in connection with the solicitation of votes on the Plan from Holders of Impaired Claims against the Debtor, and the hearing on Confirmation of the Plan to be scheduled by the Court.

This Disclosure Statement has been approved by the Bankruptcy Court in accordance with Section 1125(b) of the Bankruptcy Code as containing information of a kind and in sufficient detail adequate to enable a hypothetical reasonable investor typical of Holders of Claims in the relevant Voting Classes (as defined below) to make an informed judgment whether to accept or reject the Plan. The approval of this Disclosure Statement by the Bankruptcy Court and the transmittal of this Disclosure Statement does not, however, constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan and should not be interpreted as being a recommendation by the Bankruptcy Court either to accept or reject the Plan.

IN THE OPINION OF THE DEBTOR, AS DESCRIBED BELOW, THE TREATMENT OF CLAIMS UNDER THE PLAN CONTEMPLATES A GREATER RECOVERY THAN THAT WHICH IS LIKELY TO BE ACHIEVED UNDER OTHER ALTERNATIVES FOR THE LIQUIDATION OF THE DEBTOR. ACCORDINGLY, THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

Accompanying or included as exhibits to this Disclosure Statement are copies of the following:

1. The Bankruptcy Court's Order Approving Disclosure Statement, Fixing Time to File Objections to the Disclosure Statement, Setting Hearing on Confirmation of the Plan, and Setting Deadlines With Respect to Confirmation Hearing (the "**Disclosure Statement Approval Order**");

2. In the case of Impaired Classes of Claims (collectively, the "**Voting Classes**"), a Ballot for acceptance or rejection of the Plan; and

3. Liquidation Analysis.

ARTICLE I

PURPOSE OF THIS DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide the Holders of Claims with adequate information to make an informed judgment about the Plan. This information includes, among other things, (a) the procedures for voting on the Plan, (b) a summary of the Plan and an explanation of how the Plan will function, including the means of implementing and funding the Plan, (c) general information about the history and business of the Debtor prior to the Petition Date, (d) the events leading to the filing of the Chapter 11 Case, and (e) a summary of significant events which have occurred to date in this case.

This Disclosure Statement contains important information about the Plan and considerations pertinent to a vote for or against the Confirmation of the Plan. All Holders of Claims are encouraged to review carefully this Disclosure Statement.

Unless otherwise defined herein, all capitalized terms used in this Disclosure Statement have the meanings ascribed to them in the Plan. Any term used in the Plan or herein that is not defined in the Plan or herein and that is used in the Bankruptcy Code, the Bankruptcy Rules, or the Local Rules of the Bankruptcy Court has the meaning assigned to that term in the Bankruptcy Code, the Bankruptcy Rules, or the Local Rules, as the case may be. If there is any conflict between the definitions contained in this Disclosure Statement and the definitions contained in the Plan, the definitions contained in the Plan shall control.

ARTICLE II

VOTING INSTRUCTIONS

A. Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests are impaired but are not entitled to receive or retain any property on account of such claims or equity interests are deemed to have rejected the plan and similarly are not entitled to vote to accept or reject the plan.

Classes 2 (Lenders Claims), 3 (Owner Claims), and Class 5 (General Unsecured Claims), under the Plan are Impaired. To the extent Claims in Classes 2, 3, and 5 are not the subject of an objection, the holders of such Claims are entitled to vote to accept or reject the Plan. Class 1 (Priority Claims) and Class 4 (Other Secured Claim) under the Plan are unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, holders of Claims in Classes 1 and 4 are conclusively deemed to have accepted the Plan and therefore may not vote to accept or reject the Plan. ACCORDINGLY, A BALLOT TO ACCEPT OR REJECT THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES 2, 3, and 5. CLASSES 6 (Subordinated Claims) and 7 (Equity Interests) are presumed to reject the Plan and are not entitled to vote.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and represent more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article IX below.

The Debtor intends to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code in the event any Class rejects the Plan. Section 1129(b) permits the Court to confirm a plan of reorganization notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests and any other dissenting classes. Under that section, a plan may be confirmed if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Article IX below.

For a summary of the treatment of each Class of Claims and Interests, see Article VI.D. below.

B. Voting Procedures

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold a Claim in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots that must be used for each separate Class of Claims. Please vote and return your Ballot(s).

Please vote and return your Ballot(s) directly to the following address:

If by First Class Mail:	**If by Hand Delivery or Overnight Mail:**
Donlin, Recano & Company, Inc. **Re: First River Energy Balloting** Attn: Voting Department PO Box 192016 Blythebourne Station Brooklyn, NY 11219	Donlin, Recano & Company, Inc. **Re: First River Energy Balloting** Attn: Voting Department 6201 15th Ave Brooklyn, NY 11219
	If by Phone
	(212) 771-1128

DO NOT RETURN ANY INSTRUMENTS OR AGREEMENTS THAT YOU MAY HAVE WITH YOUR BALLOT(S).

TO BE COUNTED, YOUR BALLOT(S) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY DONLIN, RECANO & COMPANY, INC. AT THE ABOVE ADDRESS NO LATER THAN 5:00 P.M., PREVAILING CENTRAL TIME, ON _____________, 2018.

Any Claim to which an objection or request for estimation is pending, is not entitled to vote unless the holder of such Claim has obtained an order of the Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, Ballots cast by alleged creditors whose Claims (a) are not listed on the Debtor's Schedules of liabilities or (b) are listed as disputed, contingent and/or unliquidated on the Debtor's Schedules of liabilities, but who have timely filed proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtor will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will not have their Ballots counted toward satisfying the aggregate Claim amount requirements of that section.

Pursuant to the Disclosure Statement Order, the Court set _____________, 2018, the date of the entry of the Disclosure Statement Order, as the record date (the "**Voting Record Date**") for voting on the Plan. Accordingly, only holders of record as of _____________, 2018 will receive a Ballot and may vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot(s), received a damaged Ballot(s) or lost your Ballot(s), or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Donlin, Recano & Company at (212) 771-1128 from 9 a.m. to 6 p.m., prevailing Eastern Time, Monday through Friday.

C. Confirmation Hearing and Objections to Confirmation

The Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan for **______________, 2018, at _________ a.m./p.m.** (the **"Confirmation Hearing"**), at the Honorable Craig A. Gargotta, United States Bankruptcy Court, 615 East Houston Street, Courtroom 1, San Antonio, TX 78205, which Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing.

Any objection to Confirmation of the Plan must be filed and served in accordance with the Disclosure Statement Approval Order.

ARTICLE III

HISTORY OF THE DEBTOR PRIOR TO THE CHAPTER 11 FILING; CURRENT STATUS OF LIQUIDATION OF THE DEBTOR

The information contained in this section of the Disclosure Statement is intended as a summary of the Debtor's history and the status of the liquidation of the Debtor prior to and after the filing of the Voluntary Petition on the Petition Date.

A. The Debtor's Businesses

The Debtor was formed as a Delaware limited liability company in 2014 under the name First River Midstream, LLC to provide "midstream" transportation services to the oil industry across the southwestern United States and Great Plains. As a "midstream" service business the

Debtor specialized in the purchasing and marketing of crude oil and condensate, along with all necessary multi-modal logistics throughout the journey from source to refinery. As a midstream service provider, the Debtor was a critical link between companies that explore for and produce oil. The midstream industry is generally characterized by regional competition based on the proximity of gathering systems and processing plants to crude oil producing wells.

The Debtor's services included buying and selling domestic crude oil and transporting oil through a combination of trucks or pipeline. The Debtor's customers included the largest names in the oil business, as well as smaller specialty and independent producers.

The Debtor generated substantially all its revenue by purchasing crude oil and shipping the oil truck and/or pipeline to its customers.

The Debtor's daily business transactions of the purchase and sale of crude oil culminated once a month on the 20th day of each month ("**Settlement Day**") for all transactions completed during the prior month. The month accumulation of daily purchase with producers from which the Debtor bought crude oil and the daily shipment to refiners to which the Company sold crude oil was reconciled and all parties paid including royalty owners on or about Settlement Day.

B. The Debtor's Corporate Structure

First River Energy Holdings, LLC was the sole member of First River Energy, LLC and First River Marketing, LLC. First River Marketing, LLC was merged into First River Energy, LLC.

In September of 2016, First River Energy, LLC changed its name to First River Energy Holdings, LLC pursuant to a Certificate of Amendment to the Certificate of Formation. First River Energy, LLC was the sole member of First River Midstream, LLC.

On September 27, 2016, First River Midstream, LLC, the Debtor, changed its name to First River Energy, LLC.

C. Debt Structure

As of the Petition Date, the Debtor's liabilities were approximately $57,800,000, of which approximately $41,375,000 is owed to producers, owners of royalty interests, and unsecured creditors. Of the $41,375,000, some claims may qualify as Allowed 503(b)(9) Claims pursuant to Section 3.2 of the Plan.

Pursuant to the Credit Agreement dated as of July 23, 2015 (as amended by a Forbearance Agreement and Amendment No. 1 to Credit Agreement, dated as of June 7, 2016, and an Amendment No. 2 to Credit Agreement and Limited Waiver, dated as of July 22, 2016, and as otherwise amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), by and among (i) First River Energy Holdings, LLC f/k/a First River Energy, LLC as borrower, (ii) the Debtor as a guarantor; (iii) Deutsche Bank AG, New York Branch as Lender, Issuing Lender, Swing Line Lender, and Collateral Agent, Deutsche Bank Trust Company Americas as Administrative Agent (the "**Agent**"), and (iv) the several banks and other financial institutions or entities from time to time parties to the Credit Agreement, as lenders (collectively with the Agent, the "**Lenders**"), the Lenders provided certain credit facilities to finance the Debtor's business enterprise by making advances and issuing or participating in letters of credit, in each case on the terms and conditions of the Credit Agreement. All such loans, financial accommodations, and other amounts that were owed by the Debtor to the Lenders under, or in connection with, the Credit Agreement are hereinafter referred to as the "**Pre-Petition Obligations**."

To secure payment of the Pre-Petition Obligations, the Debtor granted the Lenders liens (the "**Pre-Petition Liens**") and security interests in certain assets, including, *inter alia*, and without limitation, the Debtor's present and future rights, titles, and interests in all cash, deposit accounts, property, interests in property, and the proceeds thereof (the "**Pre-Petition Collateral**").

As of the Petition Date, the Debtor was indebted to the Lenders under the Credit Agreement in the approximate amount of $14,000,000. In addition, the Lenders are asserting the right to charge interest and attorneys' fees post-petition on the basis that the value of their collateral exceeds the amount of their debt.

D. Assets

As of March 15, 2018, the Debtor was in possession of cash of approximately $25,520,000.00 and approximately $2,000,000 in net accounts receivable which the Debtor believes will be collected.

The Debtor is in the process of liquidating tractors, trailers, trucks, tanks, and other field equipment (collectively "**Rolling Stock**"), personal property including portable buildings, trailers, office furniture and equipment, real property and oil and heater contents at its leased location in Lyons. The Debtor has obtained a Court Order setting forth procedures for the sale of these assets, which a party in interest may review for additional details on the sale of these assets. *See* ECF Nos. 277, 278.

E. Leases

The Debtor leased multiple facilities to support operations and the sale of assets including, but not limited to the following:

- <u>Bitters Road</u>: Office space used by Debtor for operations and containing leased equipment to be returned and non-commercial assets for sale.
- <u>Somerset</u>: Location of commercial trucking and operational equipment to be sold.
- <u>Graham</u>: Leased property which has one FRE owned commercial vehicle requiring repair and unable to be moved. Repair estimate has not been completed and vehicle must be repaired on site or towed to Somerset.
- <u>Laredo:</u> Leased property containing vehicles and temporary buildings.

- Lyons: Operations facility with FRE assets on site, including storage tanks, transfer equipment, heater and oil inventory.
- Slocum, Mabee, C Dickens, and Dixon – These operational sites contain FRE assets that will be sold. This sale process is assumed to complete in April.

F. Insurance Costs

The Debtor has insurance financing arrangements that cover the Debtor's general liability, vehicle, director and officer ("**D&O**") and property insurance. The financing arrangements are with IFPS and First Insurance through the Debtor's broker, Gallagher Bassett. All insurance policies except D&O expire July 23, 2018, as such the last payment will be June 23, 2018. D&O insurance expires October 1, 2018. The Property, Casualty & Auto insurance premiums cost $65,400 per month, and the D&O insurance costs $4,100 per month.

The Debtor has requested updates to insurance policies based on the operational activity and has communicated to the broker (Gallagher) that the Debtor's assets are being sold. Based on information provided by the Debtor's insurance broker on February 26, 2018, the Projections assume a $38,500 reduction in Property Casualty and Auto payment commencing with the March 23rd. The estimated total reduction over the Projection period is $115,500.

There is a possibility of a refund of unused insurance premiums.

ARTICLE IV

EVENTS LEADING TO THE BANKRUPTCY FILING

A. The Sustained Drop in Oil Prices

The oil and gas industry has been enduring one of the longest and deepest troughs in oil and gas in recent history. The downturn has led many production companies, whose business are directly impacted by price fluctuations in commodities, to sizably reduce their production and drilling activities, causing a substantial reduction in the volumes serviced by midstream service providers such as the Debtor. In early 2016, crude oil prices reached multiyear lows of approximately $26 per Bbl[2]. This represented a decline in oil prices of more than 75% from a peak of over $105 per Bbl in mid-year 2014. As a result of the decline in oil prices and the volatility of prices, the Debtor's volumes and margins were adversely impacted.

[2] Refers to the measurement of barrel of crude oil.

B. The Revenue Losses

In 2016, the Debtor bought and transported approximately 5.48 million barrels of crude oil, which generated a total revenue of approximately $313 million.

For twelve months ended December 31, 2016, the Debtor had an adjusted EBIDTA of approximately $523,000.

As a result of a continued decline in volumes of product and margins across the industry, the Debtor's profit margin continued to decline, although the company was able to increase volume overall. The total revenue in the first three quarters of 2017 was approximately $234 million in the first three quarters of 2016 and adjusted EBITDA declined to approximately ($1.7) million. Excluding the Pipeline Agreement discussed in paragraph C., adjusted EBITDA for the first 3 quarters of 2017 was approximately $1.9 million.

As of September, 2017 the Debtor's cash balance had decreased to $2.8 million and an adjusted EBIDTA for the month (excluding Nu Star) was $192,000.

C. Pipeline Agreement

The Debtor was a party to a Crude Oil Pipeline Throughput and Deficiency Agreement (South Texas Crude Oil Pipeline System Expansion) dated November 6, 2013, and all associated agreements (the "**Pipeline Agreement**") with NuStar Crude Oil Pipeline L.P. ("**NuStar**"), pursuant to NuStar provided pipeline and transportation infrastructure to the Debtor by transporting the Debtor's crude oil to the Debtor's customers.

The Debtor ceased using NuStar's pipeline for transportation on September 30, 2017.

On October 6, 2017, the Debtor served NuStar with a Notice of Default and Demanding Cure with respect to a past-due payment in the amount of $16,506.38 resulting from NuStar's improper use of sampling numbers related to sulfur content in LACTS 15 & 16 as it related to Quality Bank activity (the "**Notice of Default**"). NuStar failed to cure its default referenced in the Debtor's Notice of Default. On October 26, 2017, the Debtor sent NuStar a Notice of Termination of the Agreement in accordance with § 2.6 of the Agreement (the "**Termination Notice**"). Through the Termination Notice, the Debtor properly terminated the Pipeline Agreement and all other agreements that the Debtor entered into with NuStar or its affiliates for services related to product throughput under the Pipeline Agreement.

On November 2, 2017, the Debtor sent Nustar a second Notice of Termination of the Agreement in accordance with § 2.6 of the Agreement (the "**Second Termination Notice**"). The Debtor sent the Second Termination Notice in an abundance of caution, based on a new breach of the Agreement by NuStar, which gave rise to cause to terminate the Pipeline Agreement. On November 14, 2017, the Debtor and NuStar mediated the dispute, however NuStar terminated what was scheduled to be a two-day mediation after only a few hours on the first day. The failure to resolve the NuStar dispute was a significant factor in causing the Debtor to be unable to restructure its credit facility outside of a legal proceeding or process, as the Pipeline Agreement was far above market and no reorganization was possible absent resolution of the obligations related to the Pipeline Agreement, nor was a restructure possible while uncertainty over those obligations existed.

On or about November 18, 2017, First River filed suit against NuStar in the District Court of Bexar County, Texas. On or about November 20, 2017, NuStar filed suit against First River in the District Court of Bexar County, Texas. The Debtor is seeking to reject the Pipeline Agreement as part of its "first day" relief requested, in the unlikely event it has not already been terminated, as the Pipeline Agreement is burdensome and the Debtor has no use for the pipeline. NuStar has denied it has any liability to the Debtor and is asserting that the Debtor owes NuStar approximately $16 million as an unsecured claim.

D. Defaults Under Credit Agreement

On November 18, 2017, the Debtor was notified by the Agent of an Event of Default under the Credit Agreement resulting from Debtor's redemption of equity units in breach of Section 8.5 of the Credit Agreement. Debtor acknowledged the existence and continuation of this Event of Default in letters to the Agent on December 4, 2017 and December 5, 2017.

On December 15, 2017, the Debtor delivered to the Administrative Agent, as required by the Credit Agreement, a Borrowing Base Report showing that, as of November 30, 2017, the Total Working Capital Facility Extensions of Credit exceeded the Borrowing Base and, pursuant to Section 4.7(a)(ii) of the Credit Agreement. Further, the Debtor failed to cash collateralize, replace or decrease the amount of outstanding Letters of Credit by an amount sufficient to eliminate such excess within three (3) Business Days following delivery of such Borrowing Base Report. On December 15, 2017, the Lenders provided the Debtor with a notice of default on these two additional grounds. The Debtor acknowledges these events are an Event of Default under the Credit Agreement.

As a result of the Debtor's defaults, on December 15, 2017, the Lenders, with agreement of the Debtor, took dominion and control of the cash in the Debtor's depositary bank (not a member of the Lenders) operating accounts (the "**Depositary Accounts**") and its securities accounts pursuant to account control agreements already in place, and provided for the Debtor to use the cash in accordance with an agreed-upon budget. The Debtor agreed to dominion and control to ensure the Lenders would not take unilateral action to realize on their claims and liens. This agreement allowed the Debtor and Lenders to agree on use of cash to operate the company and work towards a resolution of the issues that existed with the Credit Agreement.

On December 21, 2017, the Lenders, certain equity holders, and Debtor executed a Second Forbearance Agreement to enable the Debtor to continue to operate and to pay producers and royalty owners for oil purchased in November while the parties negotiated for a long-term agreement. The Debtor's equity owners continued negotiations with the Lenders in the week following Christmas and over the New Year's weekend, culminating on the morning of December 31, 2017, when the Debtor, certain equity holders, and Lenders were not able to come to an agreement. At that time, the Debtor made the decision that it would not be able to restructure the credit facility or otherwise continue in operations, and thus determined to stop picking up oil and to commence the wind down of the company. In summary, the impact of declining oil prices, an unfavorable contract with NuStar and an unmanageable debt load with a looming January 31, 2018 maturity simply proved to be obstacles too great for the Debtor to overcome.

The main goal of the Debtor in filing the Chapter 11 Case was to confirm a plan of liquidation that will assure a fair distribution of the Debtor's assets to its creditors.

ARTICLE V

SIGNIFICANT EVENTS IN THE CHAPTER 11 LIQUIDATION CASE

A. Bankruptcy Filing

On January 12, 2018, two producers, U.S. Energy Development Corporation ("**USED**") and Viceroy Petroleum, LP. ("**Viceroy**") (together the "**Producers**") initiated a state court lawsuit against the Debtor in the 408th Judicial District Court of Bexar County, Texas (the "**State Court**"), styled U.S. Energy Development Corporation and Viceroy Petroleum, LP., Plaintiffs v. First River Energy, LLC, Defendant, Cause No. 2018-CI-00648 (the "**Receivership Action**"), claiming breach of contract and seeking the emergency appointment of as receiver over the Debtor. The State Court then appointed Ray Battaglia as the receiver (the "**Receiver**") shortly after the filing of the lawsuit.

Later that same day, the Debtor filed a petition for relief under Chapter 11 of the Bankruptcy Code in Delaware Bankruptcy Court initiating Case No. 18-10080 (the "**Delaware Bankruptcy Case**"). The Delaware Bankruptcy Case was assigned to the Hon. Mary F. Walrath.

The Receiver, also on January 12, 2018, then filed another petition for relief under Chapter 11 of the Bankruptcy Code on behalf of the Debtor in San Antonio Bankruptcy Court initiating Case No. 18-50063 (the "**50063 Bankruptcy Case**"). On January 12, 2018, without knowledge of the 50063 Bankruptcy Case, the Debtor removed the Receivership Action to this Court as a matter intertwined with the Delaware Bankruptcy Case; this action was pending as Case No. 18-05005 (the "**5005 Adversary Proceeding**"). On January 19, 2018, the Debtor filed a Motion to Vacate Receivership ("**Motion to Vacate**") [ECF No. 13 in the 5005 Adversary Proceeding] and a Motion to Dismiss Complaint Pursuant to Fed.R.Civ.P. 12(b)(1), (b)(2), (b)(5) and (b)(6) ("**Motion to Dismiss Complaint**") [ECF No. 12 in the 5005 Adversary Proceeding]. On January 17, 2018, the Producers filed a motion to dismiss the Delaware Bankruptcy Case (the "**Producers' Motion to Dismiss**") [ECF No. 31].

On January 17, 2018, the Delaware Court entered an Order Transferring Venue to the United States Bankruptcy Court for the Western District of Texas, San Antonio Division in the Delaware Bankruptcy Case [ECF No. 40]. The Debtor filed Bankruptcy Case is currently pending before this Court as Case No. 18-50085.

On January 17, 2018, the Producers filed an emergency motion to appoint the Receiver as the chapter 11 trustee in the 50063 Bankruptcy Case (the "**Motion to Appoint a Trustee**") [ECF No. 5].

On January 23, 2018, the Debtor filed a Motion to Dismiss Bankruptcy Case (the "**Debtor's Motion to Dismiss Bankruptcy Case**") [ECF No. 20] in the 50063 Bankruptcy Case.

The Debtor, Receiver and Producers reached a compromise and agreed to the following:

- The Debtor will not appeal or otherwise challenge Judge Walrath's determination that the United States Bankruptcy Court for the Western District of Texas, San Antonio Division is the proper venue for the Delaware Bankruptcy Case (Case No. 18-50085).

- The Debtor shall release the Producers, the Producers' State Court and bankruptcy counsel, the Receiver, and the Receiver's bankruptcy counsel, up through February 1, 2018, from any liability for damages caused the Debtor and its estate as a result of acts taken by the Producers in seeking the appointment of the Receiver, for acts taken by the Receiver after his appointment, and from any liability or damages resulting from the Receiver filing the 50063 Bankruptcy Case.

- On February 2, 2018, the Producers (and the Receiver) will dismiss, without prejudice, the 5005 Adversary Proceeding and upon dismissal, the Receiver will relinquish his role as the receiver for the Debtor.

- On February 2, 2018, the Producers will withdraw the Producers' Motion to Dismiss [ECF No. 31 in Case No. 18-50085] and the Producer's Motion to Appoint a Trustee [ECF No. 5 in Case No. 18-50063] filed in the 50063 Bankruptcy Case.

- The Receiver supports the Debtor's Motion to Dismiss Bankruptcy Case [ECF No. 20 in Case No. 18-50063] and independently requests that the Court dismiss the 50063 Bankruptcy Case.

On February 1, 2018, the Court approved the compromise. As a result of the compromise this Case filed by the Debtor is the only chapter 11 case for the Debtor.

No official committee of unsecured creditors has been appointed in the case. Post-petition the Debtor has been working to continue the wind-down of its business. The Debtor has ceased buying oil and is selling its assets.

The following pleadings have been filed in the case and creditors are referred to the Court docket for a more complete listing.

B. Applications to Employ Professionals

Akerman LLP On January 30, 2018, the Debtor filed an Application for Authorization to Employ Akerman LLP as Counsel for Debtor in Possession, and on February 13, 2018, the Court entered its final order approving the Application.

Armory Strategic Partners, LLC On February 1, 2018, the Debtor filed an Application to Employ Armory Strategic Partners, LLC as Financial Advisor and Scott Avila as Chief Restructuring Officer, and on February 21, 2018, the Court entered its order approving the Application.

Donlin Recano & Company, Inc. On January 12, 2018, the Debtor filed an Application for Entry of an Order Pursuant to 28 U.S.C. §156(c) (I) Approving Retention and Appointment of Donlin, Recano & Company, Inc. as Claims and Noticing Agent to Debtor, Effective *Nunc Pro Tunc* to Petition Date, and on January 29, 2018, the Court entered its order approving the Application.

Chipman Brown Cicero & Cole LLP On February 12, 2018, the Debtor filed an Application for Approval of the Employment of Chipman Brown Cicero & Cole, LLP as Co-Counsel (Delaware Counsel) for the Debtor, and on February 17, 2018, the Court entered an order approving the Application.

C. Chapter 11 Administration

Schedules and Statement of Financial Affairs. The Debtor filed its Schedules and Statement of Financial Affairs, amending those documents from time to time, as needed.

341 Meetings with Creditors. The Section 341 meeting of creditors was held and concluded on February 21, 2018.

Claims Bar Date. The Bankruptcy Court fixed May 2, 2018, as the deadline for the filing of Proofs of Claim.

Prepetition Wages. On January 15, 2018, the Debtor filed an Emergency Motion for Authorization to (A) Pay Prepetition and Postpetition Wages, Salaries, Other Compensation, and Reimbursable Expenses, and (B) Continue Employee Benefits Programs, and Granting Related Relief. On January 29, 2018, the Bankruptcy Court entered a final order granting the relief requested in that Motion.

Cash Collateral. On January 15, 2018, the Debtor filed a Motion for an Interim and Final Order (I) Authorizing the Use of Cash Collateral Pursuant to Sections 105, 351, 362, and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedures 4001(B), and (II) Granting Adequate Protection to the Prepetition Secured Lenders. On March 5, 2018, the Court entered a Final Order Authorizing the Debtor to Use Cash Collateral Under 11 U.S.C. §§ 105 and 363.

Insurance. On January 24, 2018, the Debtor filed a Motion for Entry of an Order (I) Authorizing, but Not Directing, Debtor to (A) Maintain Existing Insurance Programs, and (B) Fund All Obligations in Respect Thereof, and (II) Granting Related Relief. On January 29, 2018, the Court entered an order granting the relief requested in the motion.

Sale of Assets. On March 8, 2018, the Debtor filed a Motion for Order Pursuant to 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 2002 and 6004 Approving Bidding Procedures and Scheduling Sale Hearing for Sale of Debtor's Rolling Stock and Other Property and a Motion Pursuant to 11 U.S.C. §§ 363, 554, and 105(a) for Entry of an Order Approving Procedures for the

Sale, Transfer, or Abandonment of Certain Property. On March 13, 2018, the Court entered orders approving the sales and procedures.

Rejection of Executory Contracts and Leases. In the exercise of its business judgment, the Debtor determined that rejection of certain executory contracts, including truck rentals, parking agreements and property commercial lease and certain other leases, was in the best interests of the Debtor's estate, because the services subject to the executory contracts were no longer necessary to the continued operation of the Debtor's business and rejection of the executory contracts would eliminate unnecessary costs to the Debtor's estate.

503(b)(9) Procedures. On February 26, 2018, the Debtor filed a Motion for Entry of Order Pursuant to 11 U.S.C. §§ 105(a) and 503(b)(9) Establishing Procedures for the Assertion, Resolution, and Satisfaction of Claims Asserted Pursuant to 11 U.S.C. § 503(b)(9), which after holding a hearing the Court granted the relief requested in the motion. Pursuant to the order the Debtor will prepare a 503(b)(9) Claim List and any vendor listed on the 503(b)(9) Claim List will be deemed to have an allowed 503(b)(9) Claim and not required to file a proof of claim in that amount (a "**Proof of 503(b)(9) Claim**"). Any vendor asserting a 503(b)(9) Claim that is not listed on the 503(b)(9) Claim List or who disagrees with the 503(b)(9) Claim amount set forth on the 503(b)(9) Claim List must filed a Proof of 503(b)(9) Claim with Donlin, Recano & Company, Inc., the claims and noticing agent retained in this Case, so as to be received no later than 5:00 p.m., Central Standard Time, on April 18, 2018 (the "**503(b)(9) Claim Filing Deadline**").

Severance Taxes. The Debtor expects to receive a Court Order authorizing the payment of pre-petition severance taxes due the Texas Comptroller. November and December taxes were $1,077,811 and $1,031,734, respectively for a total of $2,109,546.

D. Pending Adversary Proceedings

18-05008-cag ("Phillips 66 Interpleader"). On January 19, 2018, Phillips 66 Company filed a Complaint in Interpleaders against the Debtor, Deutsche Bank Trust Company Americas, as Administrative Agent and Deutsche Bank AG, New York Branch as Collateral Agent and Raymond W. Battaglia relating to two crude oil purchase agreements between the Debtor and Phillips 66 Company. The Complaint seeks a determination on which party is entitled to $911,299.68 in account proceeds Phillips 66 Company is holding. The parties are currently working on a solution to present to the Court to permit the funds to go to the Debtor subject to whatever liens may attach and to reimburse Phillips 66 Company a portion of costs in filing the adversary proceeding.

18-0515-cag ("Lien Claimants' Adversary Proceeding"). On February 21, 2018, Lenders initiated this adversary proceeding against First River Energy, LLC, U.S. Energy Development Corporation, Ageron Energy, LLC, Petroedge Energy IV, LLC, Teal Natural Resources, LLC, Crimson Energy Partners IV, LLC, Viceroy Petroleum, LP, RLU Operating, LLC, Dewbre Petroleum Corporation, Jerry C. Dewbre, Trustee, American Shoreline, Inc., Texpata Pipeline Company, Aurora Resources Corporation, AWP Operating Co.; Texron Operating Co. LLC, Magnum Producing, LP, Magnum Engineering Company, Magnum Operating LLC, Rock Resources, Inc., Killam Oil Co., Ltd. and Energy Reserves Group, LLC, wherein Lenders seek a declaration that their liens securing the Credit Agreement are senior in priority to the claims raised by the defendants and their lien(s) are valid, perfected, first priority liens in the Collateral, including proceeds of the Collateral. The Debtor expects this adversary proceeding to determine the extent and priority of liens against its assets. The Plan then provides for distribution of the Debtor's assets based on such determinations.

The Debtor intends to file a motion with the Bankruptcy Court seeking an order pursuant to Section 105 of the Bankruptcy Code that would in general (i) permit an Owner to intervene in the Lien Claimants' Adversary Proceeding and (ii) to bind all Owners, whether or not parties thereto, to any Final Order from the Court in that adversary proceeding.

ARTICLE VI

SUMMARY OF THE PLAN

A. Introduction

Chapter 11 is the principal business reorganization and liquidation chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize and/or liquidate its business for the benefit of itself and its creditors and stockholders. The formulation of a Plan is the principal objective of a Chapter 11 case. In general, a Chapter 11 Plan (i) divides Claims and Equity Interests into separate classes, (ii) specifies the property that each class is to receive under such Plan, and (iii) contains other provisions necessary to the reorganization and/or liquidation of the debtor. Chapter 11 does not require each holder of a Claim or Equity Interest to vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. However, a Plan must be accepted by the holders of at least one impaired Class of Claims without considering the votes of "insiders" as defined in the Bankruptcy Code.

The Plan is a liquidating plan and shall be funded with the Cash on hand as of the Effective Date and the liquidation and monetization of all other assets that may be liquidated or otherwise monetized and/or Claims that may be recovered for the benefit of the Liquidating Trust. The Liquidating Trust shall be established and shall become effective on the Effective Date.

Claimants holding Allowed Lender Claims, an Allowed Owner Claim, Allowed Other Secured Claim and Allowed General Unsecured Claims will receive distributions, to the extent they are entitled to distributions, pursuant to the Plan within thirty (30) days after the entry of a Final Order in the Lien Claimants' Adversary Proceeding or such other time as the Liquidating Trustee determines to make distributions, or as directed by order of the Court.

Total scheduled and claims filed exceed $57,800,000 million. The following table summarizes the classification and treatment of Claims and Interests under the Plan (including unclassified Claims). The estimated recovery is dependent on the outcome of the Lien Claimants' Adversary Proceeding. If the holder of an Allowed Class 2 Claim is determined to hold a senior lien to holders of Class 3 Claims, then the Allowed Class 2 Claim will be paid in full and it is unknown how much holders of Allowed Class 3 Claims will recover without a determination by the Court. Similarly, if the holder of Allowed Class 2 Claim is determined to hold a lien junior to holders of Allowed Class 3 Claims, it is unknown the amount of recovery to the Class 2 Claim. Therefore, at this time the Debtor is unable to provide a detailed estimated recovery based on the uncertainty of Court's findings and ruling in the Lien Claimants' Adversary Proceeding. THE

TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT ADDRESS ALL ISSUES REGARDING CLASSIFICATION, TREATMENT, AND ULTIMATE RECOVERIES, THE TABLE IS NOT A SUBSTITUTE FOR A FULL REVIEW OF THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. THERE ARE NO GUARANTEED AMOUNTS OF RECOVERY.

Class	Designation	Treatment	Entitled to Vote
1	Priority Claims	Unimpaired	No (presumed to accept)
2	Lender Claim	Impaired	Yes
3	Owners Claims	Impaired	Yes
4	Other Secured Claims	Unimpaired	No (presumed to accept)
5	General Unsecured Claims	Impaired	Yes
6	Subordinated Claims	Impaired	No (deemed to reject)
7	Equity Interests	Impaired	No (presumed to reject)

The summary of the Plan contained herein addresses only certain provisions of the Plan. As a summary, it is qualified in its entirety by reference to the Plan itself. The Plan shall control and, upon Confirmation and the Effective Date, bind the Debtor, all of the Debtor's Creditors and Holders of Equity Interests and other parties in interest, except as expressly set forth in the Plan. TO THE EXTENT THAT THE TERMS OF THIS DISCLOSURE STATEMENT VARY OR CONFLICT WITH THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL CONTROL.

B. Overview

The Plan provides a mechanism for the expeditious and orderly collection and liquidation of assets, the resolution of disputed claims, and the distribution of funds to creditors, including distributions in the form of interim installments to the extent such distributions are determined to be advisable by a liquidating trustee. The Debtor's Allowed priority, administrative claims, 503(b)(9) claims, and fee claims will be paid in full. Distribution to holders of Classes 2 and 3 shall be determined pursuant to Final Order in the Lien Claimants' Adversary Proceeding. The senior lien will be paid in Cash thirty (30) days from entry of the Final Order in the Lien Claimants' Adversary Proceeding.

The Plan contemplates that the Court will appoint a Liquidating Committee consisting of unsecured creditors selected by the Debtor, in consultation with the Lenders and certain Owner's counsel, with which the Liquidating Trustee will consult. It is impossible to predict the total amount of distributions, which will be largely dependent upon the results of further litigation or settlements.

In addition, the Plan establishes a Disputed Claims Reserve for the benefit of Holders of Disputed Claims. The Liquidating Trustee may (but is not obligated) to make interim distribution of Cash on account of Allowed Claims of a given Class from time to time, provided the Liquidating Trustee leaves sufficient Cash in reserve to cover the Disputed Claims of that Class. No Distribution or payment shall be made on account of a Disputed Claim until such Disputed Claim becomes an Allowed Claim.

C. Classification of Claims and Equity Interests

Section 1123 of the Bankruptcy Code provides that a Plan of liquidation shall classify the claims of a debtor's creditors and the interests of a debtor's equity holders. The Plan divides the Claims and Equity Interests into eight (8) Classes.

Section 101(5) of the Bankruptcy Code defines "claim" as a "right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured," or a "right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, disputed, undisputed, secured or unsecured." The Debtor is required under Section 1122 of the Bankruptcy Code to classify the Claims and Equity Interests into separate Classes which contain Claims and Equity Interests that are substantially similar to the other Claims and Equity Interests within such Class.

The Debtor believes it has classified all Claims and Equity Interests in compliance with the provisions of Section 1122 of the Bankruptcy Code. However, it is possible that a Holder of a Claim or another interested party may challenge the classification of Claims and Equity Interests contained in the Plan and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtor, to the extent permitted by the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to provide for whatever classification might be required by the Bankruptcy Court for Confirmation and to use the Plan acceptances received in this solicitation for the purpose of obtaining the approval of the Class or Classes of which the accepting Holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. A reclassification of Claims after approval of the Disclosure Statement might necessitate a resolicitation of acceptances or rejections of the Plan.

D. Summary of Plan Distributions

THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.

1. Classification and Treatment of Administrative Claims, 503(b)(9) Claims and Equity Interests Under the Plan

Only administrative expenses, claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. An "allowed" administrative expense, claim or equity interest simply means that the Debtor agrees, or in the event of a dispute, that the Court determines, that the administrative expense, claim or equity interest, including the amount thereof, is in fact a valid obligation of, or equity interest in, the Debtor. Section 502(a) of the Bankruptcy Code provides that a timely filed administrative expense, claim or equity interest is automatically "allowed" unless the debtor or another party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the debtor's equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or equity interest before the deadline to file proofs of claim and equity interests.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in, the Debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves as members of multiple classes of claims and/or equity interests.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as "impaired" (altered by the plan in any way) or "unimpaired" (unaltered by the plan). If a class of claims or interests is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under chapter 7. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan of reorganization or the date on which amounts owing are due and payable, payment in full, in cash, with postpetition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor's case not been commenced.

For purposes of computing distributions under the Plan, Allowed Claims do not include post-petition interest unless otherwise specified in the Plan.

Consistent with these requirements the Plan divides the Claims into the following Classes and affords the treatments described:

a. Unclassified – Administrative Claims

Administrative Expense Claims include any right to payment constituting a cost or expense of administration of the Chapter 11 Case of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under sections 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Debtor's estate, any actual and necessary costs and expenses of operating the Debtor's business, and the wind-up, any indebtedness or obligations incurred or assumed by the Debtor in Possession in connection with the conduct of its business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent awarded by the Court under sections 330, 331 or 503 of the Bankruptcy Code, any fees or charges assessed against the Debtor's estate under section 1930 of chapter 123 of title 28 of the United States Code, any Claim for goods delivered to the Debtor within twenty (20) days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code.

Each holder of an Allowed Administrative Expense Claim shall receive from the Debtor or Liquidating Trustee (a) Cash in an amount equal to the amount of such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtor or Liquidating Trustee and such holder shall have agreed upon in writing; provided, however, that Allowed Administrative Expense Claims incurred in the ordinary course of the Debtor's business shall be paid when due.

Unless a prior date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court, the Confirmation Order will establish a bar date for filing applications for allowance of Administrative Expense Claims, which date will be the first business day that is thirty (30) days after the Effective Date. Holders of Administrative Expense Claims not paid prior to the Effective Date shall submit requests for payment on or before the applicable Administrative Claims Bar Date or forever be barred from doing so. The notice of confirmation to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will set forth the Administrative Claims Bar Date and constitute good and sufficient notice of the Administrative Expense Claims Bar Date. The Liquidating Trustee shall have 90 days (or such longer period as may be allowed by order of the Court, which may be entered without notice or a hearing) following the Administrative Claims Bar Date to review and object to all Administrative Claims.

Any pre-confirmation United States Trustee fees shall be paid on or before the Effective Date in accordance with 11 U.S.C. § 1129(a)(12).

b. 503(b)(9) Claims

To be eligible to receive distributions under the Plan on account of a 503(b)(9) Claim that is not otherwise been paid or Allowed by the Plan, a 503(b)(9) Claim must have either (i) been filed with the Claims Agent on or before the 503(b)(9) Claim Bar Date or (ii) be on the list of 503(b)(9) claims attached to the 503(b)(9) Notice. Any 503(b)(9) Claim that is not asserted in accordance with the 503(b)(9) Order shall be deemed disallowed under the Plan and shall be forever barred against the Estate, the Liquidation Trust, or any of their Assets or property, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset, recoup or recover such Claim. For the avoidance of doubt however, the failure to assert a 503(b)(9) Claim shall not impair any Secured or Unsecured Claim the Holder may have asserted.

Allowed 503(b)(9) Claims will be paid according to this Section. In addition to the time period set forth in the 503(b)(9) Order, the Liquidating Trustee will have sixty (60) days from the Effective Date (or such other time as may be approved by the Court) to file with the Court and serve any objections to timely-filed 503(b)(9) Claims. Holders of 503(b)(9) Claims shall have until thirty (30) days after the filing of the applicable objection by the Liquidating Trustee to file with the Court and serve on the counsel to the Liquidating Trustee, any replies to such objections. The Liquidating Trustee is authorized, but not required, to negotiate, in its sole discretion, with any holder of a 503(b)(9) Claim and pay, without further order of the Court, any 503(b)(9) Claim. If the Liquidating Trustee cannot reach agreement with a holder of a 503(b)(9) Claim regarding a particular Objection to such 503(b)(9) Claim, the Liquidating Trustee will schedule the matter for a hearing by the Court.

c. Unclassified – Fee Claims

Fee Claims are Administrative Expense Claims under sections 330(a), 331 or 503 of the Bankruptcy Code for compensation of a Professional or other Person for services rendered or expenses incurred in the Chapter 11 Case on or prior to the Effective Date.

All requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Debtor, counsel to the Debtor, the United States Trustee, Liquidating Trustee, counsel to the Liquidating Trustee and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Court, no later than thirty (30) days after the Effective Date. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtor, or their respective properties, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the Debtor, counsel for the Debtor, Liquidating Trustee, counsel for the Liquidating Trustee and the requesting party no later than sixty (60) days after the Effective Date.

Fee Claims shall be paid in full pursuant to the amount allowed by the Bankruptcy Court.

2. Classification and Treatment of Claims

The categories of Claims and Interests set forth below classify Claims and Interest for all purposes, including purposes of voting, confirmation, and distribution pursuant to the Plan and Bankruptcy Code §§ 1122 and 1123(a)(1). No Allowed Claims, other than Administrative Claims (including for the avoidance of doubt 503(b)(9) Claims and Fee Claims), Allowed Priority Claims and Allowed Other Secured Claims shall be paid prior to entry of a Final Order of the Bankruptcy Court in the Lien Claimants' Adversary Proceeding.

(a) Priority Claims: Class 1. Each Holder of an Allowed Priority Claim shall be paid on the later of the thirtieth (30th) day after the Effective Date or such later date as such claim may become an Allowed Claim (a) an amount, in Cash, equal to the Allowed Amount of its Priority Claim, in accordance with Section 1129(a)(9)(B) of the Bankruptcy Code, (b) under such other terms as may be agreed upon by both the Holder of such Allowed Priority Claim and the Liquidating Trustee, or (c) as otherwise ordered by a Final Order of the Bankruptcy Court. Class 1 is Unimpaired.

(b) Lender Claim: Class 2. Class 2 consists of holders of Allowed Lender Claims (for avoidance of doubt, Class 2 does not consist of any Producer, Owners or Royalty Claims). Distribution to holders of Class 2 Claims shall be determined pursuant to Final Order of the Bankruptcy Court or by agreement with the Debtor or the Liquidating Trustee and the Allowed Class 3 Claims.

(i) Collateral Base. Class 2 Claimants have senior secured liens ("**All Asset Liens**")(subject to challenge before April 30, 2018) in all of Debtors' assets ("**All Asset Collateral**"). Individual Class 3 Claimants have asserted individual liens ('**First Purchaser Liens**")(subject to challenge before April 30, 2018) only in the oil sold to Debtor as an alleged "first purchaser" of the oil under the Uniform Commercial Code ("**First Purchaser Collateral**"). Class 2 Claimants (Lenders) initiated the Lien Claimants' Adversary Proceeding to determine the validity, priority and extent of the First Purchaser Liens. No challenge has been asserted to Class 2 Claimants' All Asset Liens other than to the extent such liens are First Purchaser Liens.

(ii) Senior Lien. The Allowed Lenders' Claims and All Assets Liens are senior to Allowed Class 1, 4, 5, 6, and 7 Claims with respect to Non-First Purchaser Collateral, and may be determined to be senior to Class 3 Claims. If the holder of an Allowed Class 2 Claim is determined to hold a Lien senior to Allowed Class 3 Claims with respect to a particular collateral, the Liquidating Trustee shall pay the holder of an Allowed Class 2 Claim distribution in Cash, to the extent not already received pursuant to Court order, from the Liquidating Trustee in an amount in cash equal to the lesser of (a) the value of such collateral and (b) the outstanding amount of such Allowed Class 2 Claim, such distribution to occur no later than thirty (30) days from entry of a Final Order in the Lien Claimants' Adversary Proceeding or fifteen (15) days from a Final Order directing such distribution. Under no circumstances shall any holder of an

44271964;7

Allowed Class 2 Claim receive more than payment in full of such Allowed Class 2 Claim.

(iii) Junior Lien. If the Lien securing the Class 2 Claim is determined by Final Order of the Bankruptcy Court in the Lien Claimants' Adversary Proceeding or other proceeding or case, or by agreement with the Debtor or the Liquidating Trustee and the Allowed Class 3 Claims with respect to First Purchaser Collateral, the holders of Allowed Class 2 Claims shall receive, after Allowed Claims holding senior liens, if any, are paid in full, a *pro rata* distribution based on the total amount of Allowed Class 2 Claims in Cash from the Liquidating Trustee in an amount (A) equal to the lesser of (a) the value of such collateral and (b) the outstanding amount of such Allowed Class 2 Claim; and (B) an amount equal to the lesser of the (a) value of all collateral on which the Lender has a senior claim and (b) the remaining outstanding amount of such Allowed Class 2 Claim. To the extent payment received does not pay in full the Class 2 Claim, the deficiency shall be treated as an Allowed General Unsecured Claim. To the extent a Holder of a Class 2 Claim received Cash pursuant to a Court order as payment of its claim prior to entry of the Final Order, said funds must be turned over to the Liquidating Trustee within thirty (30) days after the entry of a Final Order in the Lien Claimants' Adversary Proceeding.

(iv) Notwithstanding the foregoing, the holder of an Allowed Class 2 Claim may receive such other less favorable treatment as may be agreed to by such holder and the Debtor or Liquidation Trustee.

(v) Any Allowed Claim based on any deficiency claim by a holder of an Allowed Class 2 Claim shall become, and shall be treated for all purposes under the Plan, as an Allowed General Unsecured Claim.

(vi) Invalid Lien. In the event that all of the Liens securing Allowed Class 2 Claims are timely challenged and determined by Final Order of the Bankruptcy Court to be unperfected, invalid, or disallowed, such Allowed Class 2 Claims shall be treated as General Unsecured Claims. To the extent the holder of a Class 2 Claim received Cash after the Petition Date pursuant to a Court order as payment of its claim prior to entry of such Final Order said funds should be turned over to Liquidating Trustee within thirty (30) days after the entry of the Final Order in the Lien Claimants' Adversary Proceeding.

Class 2 is Impaired.

(c) Owner Claim: Class 3. Class 3 consists of holders of Allowed Owner Claims. For avoidance of doubt, Class 3 consists of any Producer, Owner or Royalty Claimant who establishes a perfected First Purchaser Lien in the First Purchaser Collateral. Distribution to holders of Allowed Class 3 Claims shall be determined pursuant to Final Order of the Bankruptcy Court or by agreement with Debtor or the Liquidating Trustee and the Allowed Class 2 Claimant.

(i) Senior Lien. If the holder of Class 3 Claim is determined to hold a Lien senior to all Liens with respect to a particular collateral, the holders of Allowed Class 3 Claims shall receive a distribution in Cash, to the extent not already received pursuant to Court order, from the Liquidating Trustee in an amount equal to lesser of (a) the value of such collateral, and (b) the outstanding amount of such Allowed Class 3 Claim, such distribution to occur no later than thirty (30) days from entry of a Final Order in the Lien Claimants' Adversary Proceeding or Final Order of the Bankruptcy Court directing such distribution. Under no circumstances shall any holder of an Allowed Class 3 Claim receive more than payment in full of such Allowed Class 3 Claim.

(ii) Notwithstanding the foregoing, the holder of an Allowed Class 3 Claim may receive such other less favorable treatment as may be agreed to by such holder and the Debtor or Liquidation Trustee.

(iii) Any Allowed Claim based on any deficiency claim by a holder of an Allowed Class 3 Claim shall become, and shall be treated for all purposes under the Plan, as an Allowed General Unsecured Claim.

(iv) Junior Lien. If the Liens securing the Class 3 Claims are determined by Final Order of the Bankruptcy Court in the Lien Claimants' Adversary Proceeding or other proceeding or case, or by agreement with the Debtor or the Liquidating Trustee and the Allowed Class 3 Claims with respect to a particular collateral, the holders of Class 3 Claims shall receive, after Allowed Claims holding senior liens, if any, are paid in full, a *pro rata* distribution in Cash based on the lesser of (a) the value of such collateral, and (b) total amount outstanding of Allowed Class 3 Claims. Under no circumstances shall a Class 3 Claim receive more payment than the value of its Collateral after Class 2 Allowed Claims are paid. To the extent payment received does not pay in full the Class 3 Claim the deficiency shall be treated as an Allowed General Unsecured Claim.

(v) Invalid Lien. In the event that all of the Liens securing the Allowed Class 2 Claims are timely challenged and determined by Final Order of the Bankruptcy Court to be unperfected, invalid, or disallowed, such Allowed Class 3 Claims shall be treated as General Unsecured Claims.

Class 3 is Impaired.

(d) Other Secured Claim: Class 4. Class 4 consists of holders of Allowed Other Secured Claims (for avoidance of doubt, means an Allowed Secured Claim other than a Claim designated by Classes 2 and 3). Except to the extent that a holder of an Allowed Other Secured Claim agrees to a different treatment of such Claim, each holder of an Allowed Other Secured Claim against any of the Debtors shall receive, at the option of the Debtors, and in full satisfaction of such Claim, either (a) Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Other Secured Claim, (b) such treatment that leaves unaltered the legal, equitable, and contractual rights to which the holder of such Allowed Other Secured Claim is entitled, or (c) such other distribution as necessary to satisfy the requirements of section 1124 of the Bankruptcy Code.

Class 4 is Unimpaired.

(e) General Unsecured Claims: Class 5. Except to the extent that a holder of an Allowed General Unsecured Claim shall have agreed in writing to a different treatment, each holder of an Allowed General Unsecured Claim shall receive a *pro rata* share of the Unsecured Distribution Amount. Under no circumstances shall any holder of an Allowed General Unsecured Claim receive more than payment in full of such Claim.

Class 5 is Impaired.

(f) Subordinated Claims: Class 6.

The Debtor does not believe there are any Subordinated Claims. To the extent any holder of an Subordinated Claim exists, such holder will not receive any distribution on account of such subordinated claim, and each such holder of a subordinated other claim will not receive or retain any interest in the Debtor, the Liquidating Trust, the Liquidation Trust Assets, the Estate, or any other property or interests of the debtor or the Liquidation Trust on account of such Subordinated Claim until all holders of Allowed Claims in senior classes have been paid in full.

Class 7 is Impaired and is deemed to reject the Plan.

(g) Equity Interests: Class 7.

The Holders of Equity Interests in the Debtor shall receive payments of the remaining funds in the Liquidating Trust after Allowed Claims have been paid in full. It is not anticipated this class will receive a distribution.

Class 7 is Impaired and deemed to reject the Plan.

E. Treatment of Executory Contracts and Unexpired Leases

Rejection of Executory Contracts and Unexpired Leases. Pursuant to Sections 365 and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and another Person or Entity shall be deemed rejected by the Debtor as of the Confirmation Date (collectively, the "**Rejected Contracts**"), unless there is pending before the Bankruptcy Court on the Confirmation Date a motion to assume any executory contract or unexpired lease, or such executory contract or unexpired lease has previously been assumed by order of the Bankruptcy Court.

Approval of Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Article 8 of the Plan.

Claims under Rejected Executory Contracts and Unexpired Leases. Any Claim for damages arising by reason of the rejection of any executory contract or unexpired lease must be filed with the Bankruptcy Court on or before the Bar Date for rejection damage Claims in respect of such rejected executory contract or unexpired lease, and served upon the Debtor, or such Claim shall be forever barred and unenforceable against the Debtor and/or the Liquidating Trustee. With respect to the Rejected Contracts, the Bar Date shall be thirty (30) days after the Confirmation Date. Such Claims, once fixed and liquidated by the Bankruptcy Court and determined to be Allowed Claims, shall be General Unsecured Claims. The Plan and any other order of the Bankruptcy Court providing for the rejection of an executory contract or unexpired lease shall constitute adequate and sufficient notice to Persons or Entities which may assert a Claim for damages from the rejection of an executory contract or unexpired lease of the Bar Date for filing a Claim in connection therewith.

F. Insurance

The Liquidating Trustee shall receive all benefits otherwise payable to, or for the benefit of the Debtor under its insurance policies. None of the Disclosure Statement, Plan, or Confirmation Order shall: (a) modify the coverage provided under the Debtor's current, unexpired insurance policies, (b) except as provided for in the Plan, alter in any way the rights and obligations of the Debtor's insurers under their policies, or (c) except as provided in the Plan, alter in any way the rights and obligations of the Debtor or the Liquidating Trust, as applicable, under the insurance policies, including, without limitation, any duty of the Debtor or the Liquidating Trust, as applicable, to defend, at their own expense, against claims asserted under the insurance policies. The Debtor's insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtor and the Liquidating Trust, as applicable, the existence, primacy, and/or scope of available coverage under any alleged applicable policy. Nothing in the Disclosure Statement, Plan or Confirmation Order in any way permits any holder of a Claim to recover the same amounts from the insurers and any other party including, but not limited to, the Debtor or the Liquidating Trust. Nothing in the Disclosure Statement, Plan, or Confirmation Order shall modify the rights of the Debtor's insurers with respect to the maintenance or use of any letters of credit, or other collateral and security provided to them, in connection with liabilities arising under the applicable insurance agreements.

ARTICLE VII

MEANS OF IMPLEMENTATION OF THE PLAN

General Overview of Plan. The Plan is a liquidating plan that calls for the liquidation of the Assets of the Debtor. On the Effective Date of the Plan, all Property owned by the Debtor shall be transferred to the Liquidating Trust and the Liquidating Trustee shall be appointed to implement the terms of the Plan with respect to the Liquidating Trust, as set forth in Article 9 of the Plan.

Effective Date Transactions; Vesting of Assets in the Liquidating Trust. On or as of the Effective Date, the Plan shall be implemented and the appointment of the Liquidating Trustee shall become effective. The Liquidating Trust shall be automatically substituted for the Debtor as a party to all contested matters, adversary proceedings, claims, administrative proceedings and lawsuits, both within and outside of the Bankruptcy Court, involving the Assets, Claims against the Debtor, the Causes of Action, and the resolution of Disputed Claims. All of the Assets shall vest in the Liquidating Trust, subject to the Liens thereon, and all privileges with respect to the Assets, including the attorney/client privilege, to which the Debtor is or would be entitled shall automatically vest in, and may be asserted by or waived on behalf of, the Liquidating Trust. The appointment of the Liquidating Committee shall become effective as of the Effective Date.

Continued Corporate Existence; Dissolution. As of the Effective Date, the Debtor shall be administratively dissolved and Liquidating Trustee shall file a certificate of dissolution (or its equivalent) with the secretary of state or similar official. The officers and directors of the Debtor immediately prior to the Effective Date shall be deemed to have resigned without any further action by any party. From and after the Confirmation Date and until the Effective Date, the board of directors and officers of the Debtor shall have all powers accorded by law to put into effect and carry out the Plan and the Confirmation Order. Notwithstanding anything to the contrary set forth in the Plan, the management and administration of the Liquidating Trust (and the Assets) shall be the sole responsibility of the Liquidating Trustee. Notwithstanding anything to the contrary set forth in this Article 9 or elsewhere in the Plan, the management and administration of the Liquidating Trust (and the Assets) shall be the sole responsibility of the Liquidating Trustee, subject to review by the Liquidating Committee as provided herein.

Selection, Duties and Compensation of the Liquidating Trustee. The Debtor proposes that the initial Liquidating Trustee shall be Scott Avila, however, the Debtor will consult with the Lenders and creditors active in the case before making a final selection. The Liquidating Trustee's appointment shall be effective as of the Effective Date.

The Liquidating Trustee shall have and perform all of the duties, responsibilities, rights and obligations set forth in the Plan and in the Confirmation Order. The responsibilities of the Liquidating Trustee shall include (i) object to the allowance of Claims; (ii) open, maintain and administer bank accounts; (iii) engage employees and professional persons, including in the Liquidating Trustee's discretion, professionals previously retained by the Debtor, as necessary or desirable to assist in carrying out the provisions of and purposes underlying the Plan and the Liquidating Trust Agreement; (iv) incur and pay reasonable fees, costs, and expenses in connection with administering the Liquidating Trust and implementing the terms of the Plan and the Liquidating Trust Agreement, including the reasonable fees, costs and expenses of retained professionals, in accordance with the provisions of the Plan and the Liquidating Trust Agreement; (v) expend the Liquidating Trust Assets as necessary to maintain the value of the assets of the Liquidating Trust during liquidation; (vi) pay the reasonable and necessary expenses incurred by the Liquidating Committee; (vii) investigate, analyze, commence, prosecute, litigate, compromise and otherwise administer the Causes of Action, and take all other necessary and appropriate steps to collect, recover, settle, liquidate or otherwise reduce the Liquidating Trust Assets to Cash; (viii) approve compromises of the Causes of Action and all Claims, and execute all necessary and appropriate documents to effectuate such settlements, without notice to any party and without further order of the Bankruptcy Court; (ix) administer, sell, liquidate, or otherwise dispose of the Liquidating Trust Assets in accordance with the terms of the Plan and the Liquidating Trust Agreement; (x) represent the Liquidating Trust before the Bankruptcy Court and other courts of competent jurisdiction, if necessary, with respect to matters regarding the administration of the Liquidating Trust; (xi) comply with any applicable orders of the Bankruptcy Court and any other court of competent jurisdiction, and all applicable laws and regulations, concerning the matters set forth herein; (xii) hold legal title to any and all rights of the Consolidated Debtor, the Estate and the Beneficiaries under the Liquidating Trust Agreement in or arising from the Liquidating Trust Assets; (xiii) in reliance upon the Schedules and the claims register maintained in the Bankruptcy Case, maintain on the Liquidating Trustee's books and records a register evidencing the beneficial interest held by each Beneficiary as provided by the Liquidating Trust Agreement; (xiv) make all distributions to the Holders of Allowed Claims provided for, or contemplated by, the Plan; (xv) establish the Disputed Claim Reserve; (xvi) make all tax withholdings, file tax information returns, make tax elections by and on behalf of the Liquidating Trust and file tax returns for the Liquidating Trust as a grantor trust in accordance with Treasury Regulations Section 1.671-4(a); (xvii) pay any taxes imposed on the Liquidating Trust; (xviii) send annually to each Beneficiary under the Liquidating Trust Agreement a separate statement of the Beneficiary's share of the Liquidating Trust's income, gain, loss, deduction or credit, and instruct all such Beneficiaries to report such items on their federal tax returns; (xix) as soon as reasonably practicable after the Effective Date, make a good faith valuation of the Liquidating Trust Assets which shall be made available from time to time, to the extent relevant, and used consistently by all parties for all income tax purposes; (xx) carry insurance coverage if the Liquidating Trustee deems such insurance necessary and appropriate in his sole and absolute discretion; (xxi) exercise such other powers as may be vested in the Liquidating Trustee pursuant to the Plan, the Liquidating Trust Agreement, the Confirmation Order, or other Final Orders of the Bankruptcy Court; (xxii) execute any documents, instruments, contracts or agreements necessary or desirable to carry out the powers and duties of the Liquidating Trustee; (xxiii) provide to the Liquidating Committee such reports on the progress of the Plan, as may be reasonably requested by the Liquidating Committee; (xxiv) stand in the shoes of the Debtor and the Estate for all purposes consistent with the Plan and the Liquidating Trust Agreement; (xxv) the Liquidating Trustee shall file quarterly post-confirmation reports and shall pay quarterly fees due to the Office of the United States Trustee until such time as a final decree is entered, the case is dismissed, converted, closed or the Bankruptcy Code orders otherwise; (xxvi) establish the Administrative Reserve and (xxvii) such other responsibilities as may be vested in the Liquidating Trustee pursuant to the Plan, by orders of the Bankruptcy Court, or as may be necessary and proper to carry out the provisions of the Plan.

The Liquidating Trustee shall be deemed to be for all purposes the "representative" of the Liquidating Trust as set forth in Section 1123(b) of the Bankruptcy Code to retain, enforce, settle and prosecute all Causes of Action. The Liquidating Trustee shall use his best efforts to promptly liquidate the Assets of the Liquidating Trust as soon as practicable at minimal cost and to distribute the proceeds thereof as soon as practicable pursuant to the Plan.

The initial compensation of the Liquidating Trustee shall be approved by the Bankruptcy Court, and that compensation, plus reimbursement for actual, reasonable and necessary expenses incurred by the Liquidating Trustee, shall be paid by the Liquidating Trust. From and after the Effective Date, any professionals engaged or retained by the Liquidating Trustee shall be entitled to reasonable compensation to perform services for the Liquidating Trustee. The fees and expenses of the Liquidating Trustee and any professionals employed by the Liquidating Trustee shall be subject to review by the United States Trustee. Unless the Liquidating Committee or the United States Trustee files an objection with the Bankruptcy Court within twenty (20) days of the receipt of any invoice of the Liquidating Trustee or his professionals, the Liquidating Trustee shall be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the fees and one hundred percent (100%) of the expenses incurred by the Liquidating Trustee and his professionals out of the Assets of the Liquidating Trust. If an objection is filed, then the Liquidating Trustee shall still be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the fees and one hundred percent (100%) of the expenses incurred by the Liquidating Trustee and his professionals that are not subject to an objection. The Bankruptcy Court shall retain jurisdiction over any objections to such fees and expenses that are filed. The Liquidating Trustee and any professionals he hires shall not be required to file any applications for compensation with the Bankruptcy Court.

The Liquidating Trustee shall not be required to give any bond or surety or other security for the performance of his duties unless otherwise ordered by the Bankruptcy Court. If otherwise so ordered, all costs and expenses of procuring any such bond shall be paid by the Liquidating Trust.

The Liquidating Trustee shall serve from and after the Effective Date until his successor is duly appointed and qualified or until his or her earlier death, resignation, or removal. In the event of the death, resignation or removal of the Liquidating Trustee, any successor thereto shall be selected by the Liquidating Committee and officially appointed following notice to the Master Service List and a hearing before the Bankruptcy Court.

Selection, Duties and Compensation of the Liquidating Committee. On the Effective Date, a Liquidating Committee shall be established for the purpose of overseeing the Liquidating Trustee's implementation of the Plan, administration of the Liquidating Trust Assets, and distributions on account of Allowed Claims under the Plan, as specifically provided for pursuant to the terms of the Plan. The Liquidating Committee shall be comprised of no more than three (3) members selected by the Debtor, in consultation with the Lenders and creditors who are in active in the Case, from creditors that are not seeking a first security interest in any of the Debtor's Assets and who are willing to serve on the Liquidating Committee on and after the Effective Date. In the event there is a voting deadlock on the matters that are subject to the Liquidating Committee's consideration, then to settle the deadlock a vote by the Liquidating Trustee shall be solicited and shall be determinative, except in situations involving a conflict of interest on the part of the Liquidating Trustee. Subject to and in accordance with the provisions of the Plan, the Confirmation Order and any other Final Order of the Bankruptcy Court, each member of the Liquidating Committee shall be entitled to quarterly compensation equal to $1,000 and to reimbursement of reasonable and necessary out-of-pocket expenses incurred in carrying out their duties as members of the Liquidating Committee, which shall be paid out of the Liquidating Trust Assets. On or after the Effective Date, the Liquidating Committee may retain such professionals (including, without limitation, attorneys and accountants) as may be deemed necessary or desirable by the Liquidating Committee to assist and advise the Liquidating Committee in the performance of its duties.

The Liquidating Committee will oversee certain decisions of the Liquidating Trustee and approve certain material transactions in connection with the administration and liquidation of the Liquidating Trust Assets, as provided by the Plan. Any vote to be taken by or approval given by the Liquidating Committee shall require only a majority for approval. In the event of resignation, recusal or incapacity of any Liquidating Committee member(s), the remaining Liquidating Committee member(s) are empowered to continue to act as a committee of two or one, with such powers as provided in the Liquidating Trust Agreement and under the Plan including the oversight of the Liquidating Trustee and the approval of certain material transactions. The powers of the Liquidating Committee shall include the power to (i) the Liquidating Committee shall meet and/or consult periodically with the Liquidating Trustee and keep itself apprised of the affairs of the Liquidating Trust; and (ii) in discharging their duties as members of the Liquidating Committee, such members shall act in the best interests of the Beneficiaries of the Liquidating Trust in the same manner as members of an official committee of creditors appointed pursuant to Bankruptcy Code section 1102 discharge their duties to the creditor constituents represented by such committee.

A Liquidating Committee Member may be removed at any time by the written consent of a majority of the Liquidating Committee consisting of all its members. Any removal shall be effective on the date specified in such consent or approval pursuant to the Liquidating Trust Agreement.

Neither the members of the Liquidating Committee nor the representatives or agents of such members shall be liable for actions taken or omitted in their capacity as, or on behalf of, the Liquidating Committee, except those acts arising out of its or their own willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty, or *ultra vires* acts, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its actions or inactions in its capacity as, or on behalf of, the Liquidating Committee, except for any actions or inactions involving willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty, or *ultra vires* acts. Any indemnification claim under this section shall be satisfied from the Liquidating Trust Assets and any insurance coverages procured by the Liquidating Trustee on behalf of the Liquidating Trust. The Liquidating Committee shall be entitled to rely, in good faith, on the advice of its retained professionals

Pursuit of Causes of Action. On the Effective Date, the Causes of Action shall be vested in the Liquidating Trust; except to the extent that a Creditor or other third party has been specifically released from any Cause of Action by the terms of the Plan or by Bankruptcy Court Order. The Causes of Action may be pursued by the Liquidating Trustee in the discretion of the Liquidating Trustee and Liquidating Committee. The Debtor is not currently in a position to express an opinion on the merits of any of the Causes of Action or on the recoverability of any amounts as a result of any such Causes of Action. For purposes of providing notice, the Debtor states that any party in interest that engaged in business or other transactions with the Debtor Prepetition or that received payments from the Debtor Prepetition may be subject to litigation to the extent that applicable bankruptcy or non-bankruptcy law supports such litigation.

No Creditor or other party should vote for the Plan or otherwise rely on the Confirmation of the Plan or the entry of the Confirmation Order in order to obtain, or on the belief that it will obtain, any defense to any Causes of Action. No Creditor or other party should act or refrain from acting on the belief that it will obtain any defense to any Cause of Action. ADDITIONALLY, (UNLESS EXPRESSLY SET FORTH IN THE PLAN), THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY CAUSES OF ACTION OR OBJECTIONS TO CLAIMS, AND ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED IN FAVOR OF THE LIQUIDATING TRUSTEE AND THE LIQUIDATING TRUST. Creditors are advised that legal rights, claims, and rights of action the Debtor may have against them, if they exist, are retained under the Plan for prosecution unless a specific order of the Bankruptcy Court authorizes the release of such claims. As such, Creditors are cautioned not to rely on (i) the absence of the listing of any legal right, claim or right of action against a particular Creditor in the Disclosure Statement, the Plan, or the Schedules or (ii) the absence of litigation or demand prior to the Effective Date of the Plan as any indication that the Debtor or the Liquidating Trustee do not possess or do not intend to prosecute a particular claim or cause of action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve rights, claims, and rights of action of the Debtor, whether now known or unknown, for the benefit of the Liquidating Trust and the Debtor' Creditors. A Cause of Action shall not, under any circumstances, be waived as a result of the failure of the Debtor to describe such Cause of Action with specificity in the Plan or the Disclosure Statement.

The Debtor does not presently know the full extent of the Causes of Action and, for purposes of voting on the Plan, all Creditors are advised that the Liquidating Trustee will have substantially the same rights that a Chapter 7 Trustee would have with respect to the Causes of Action. Accordingly, neither a vote to accept the Plan by any Creditor nor the entry of the Confirmation Order will act as a release, waiver, bar or estoppel of any Causes of Action against such Creditor or any other Person or Entity, unless such Creditor, Person or Entity is specifically identified by name as a released party in the Plan, in the Confirmation Order, or in any other Final Order of the Bankruptcy Court. Confirmation of the Plan and entry of the Confirmation Order is not intended to and shall not be deemed to have any res judicata, collateral estoppel or other preclusive effect which would precede, preclude, or inhibit prosecution of such Causes of Action following Confirmation of the Plan.

Determination of Claims. Unless otherwise ordered by the Bankruptcy Court, and except as to any late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases, if any, all objections to Claims shall be filed with the Bankruptcy Court by no later than ninety (90) days following the after entry of a Final Order in the Lien Claimants' Adversary Proceeding (unless such period is extended by the Bankruptcy Court upon motion of the Debtor or the Liquidating Trustee), and the Confirmation Order shall contain appropriate language to that effect. Holders of Unsecured Claims that have not filed such Claims on or before the Bar Date shall serve notice of any request to the Bankruptcy Court for allowance to file late Unsecured Claims on the Debtor and such other parties as the Bankruptcy Court may direct. If the Bankruptcy Court grants the request to file a late Unsecured Claim, such Unsecured Claim shall be treated in all respects as an Unsecured Claim. Objections to late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases shall be filed on the later of thirty (30) days after entry of a Final Order in the Lien Claimants' Adversary Proceeding.

Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder of the Claim if the Debtor or the Liquidating Trustee effectuates service in any of the following manners (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004, (b) to the extent counsel for the Holder of a Claim is unknown, by first class mail, postage prepaid, on the signatory on the Proof of Claim or other representative identified on the Proof of Claim or any attachment thereto, or (c) by first class mail, postage prepaid, on any counsel that has filed a notice of appearance in the Liquidation Case on behalf of the Holder of a Claim.

Disputed Claims shall be fixed or liquidated in the Bankruptcy Court as core proceedings within the meaning of 28 U.S.C. § 157(b)(2)(B) unless the Bankruptcy Court orders otherwise. If the fixing or liquidation of a contingent or unliquidated Claim would cause undue delay in the administration of the Liquidation Case, such Claim shall be estimated by the Bankruptcy Court for purposes of allowance and distribution. Upon receipt of a timely filed Proof of Claim, the Debtor, the Liquidating Trustee or other party in interest may file a request for estimation along with its objection to the Claim set forth therein. The determination of Claims in Estimation Hearings shall be binding for purposes of establishing the maximum amount of the Claim for purposes of allowance and distribution. Procedures for specific Estimation Hearings, including provisions for discovery, shall be set by the Bankruptcy Court giving due consideration to applicable Bankruptcy Rules and the need for prompt determination of the Disputed Claim.

De Minimis Distributions as to Allowed Class 3 General Unsecured Claims. In order to avoid the disproportionate expense and inconvenience associated with making a de minimis distribution to the Holder of an Allowed General Unsecured Claim, the Liquidating Trustee shall not be required to make, and shall be excused from making, any initial or interim distribution to such Holder which is in the amount of less than or equal to $10.00. At the time of any final distribution to the Holders of Allowed Class 5 General Unsecured Claims, all such excused distributions to such Holder shall be aggregated and, if such aggregated amount is $10.01 or more, the Liquidating Trustee shall make a final distribution to such Holder equal to such aggregated amount.

Unclaimed Distributions. If the Holder of an Allowed Claim fails to negotiate a check issued to such Holder within ninety (90) days of the date such check was issued, then the Liquidating Trustee shall provide written notice to such Holder stating that unless such Holder negotiates such check within ninety (90) days of the date of such notice, the amount of Cash attributable to such check shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such check, such Holder's Allowed Claim shall no longer be deemed to be Allowed, and such Holder shall not be entitled to participate in any further distributions under the Plan in respect of such Claim.

If a Cash distribution made pursuant to the Plan to any Holder of an Allowed Claim is returned to the Liquidating Trustee due to an incorrect or incomplete address for the Holder of such Allowed Claim, and no claim is made in writing to the Liquidating Trustee as to such distribution within ninety (90) days of the date such distribution was made, then the amount of Cash attributable to such distribution shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such distribution, such Holder's Allowed Claim shall no longer be deemed to be Allowed, and such Holder shall not be entitled to participate in any further distributions under the Plan in respect of such Claim.

Any unclaimed Cash distribution as described above originally sent by the Liquidating Trustee shall be contributed by the Liquidating Trustee on behalf of the Liquidating Trust to Texas Comptroller pursuant to the Texas Unclaimed Property Laws.

Transfer of Claim. In the event that the Holder of any Claim shall transfer such Claim on and after the Effective Date, such Holder shall immediately advise the Liquidating Trustee in writing of such transfer and provide sufficient written evidence of such transfer. The Liquidating

Trustee shall be entitled to assume that no transfer of any Claim has been made by any Holder unless and until the Liquidating Trustee shall have received written notice to the contrary. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan and to any request made, waiver or consent given or other action taken hereunder and, except as otherwise expressly provided in such notice, the Liquidating Trustee shall be entitled to assume conclusively that the transferee named in such notice shall thereafter be vested with all rights and powers of the transferor under the Plan.

One Distribution Per Holder. If the Holder of a Claim holds more than one Claim in any one Class, all Claims of such Holder in such Class shall be aggregated and deemed to be one Claim for distribution purposes, and only one distribution shall be made with respect to the single aggregated Claim.

Effect of Pre-Confirmation Distributions. Nothing in the Plan shall be deemed to entitle the Holder of a Claim that received, prior to the Effective Date, full or partial payment of such Holder's Claim, by way of settlement or otherwise, pursuant to an order of the Bankruptcy Court, provision of the Bankruptcy Code, or other means, to receive a duplicate payment in full or in part pursuant to the Plan; and all such full or partial payments shall be deemed to be payments made under the Plan for purposes of satisfying the obligations of the Debtor or the Liquidating Trustee to such Holder hereunder.

No Interest on Claims or Equity Interests. Except as expressly stated in the Plan or otherwise Allowed by a Final Order of the Bankruptcy Court, no Holder of an Allowed Claim shall be entitled to the accrual of Postpetition interest or the payment of Postpetition interest, penalties, or late charges on account of such Allowed Claim for any purpose. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made when and if such Disputed Claim becomes an Allowed Claim.

Compliance with Tax Requirements. In connection with the Plan, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities and all distributions hereunder shall be subject to such withholding and reporting requirements.

Conditions Precedent to Confirmation of the Plan. The following is a condition precedent to Confirmation of the Plan which must be satisfied or waived in accordance with Article 11 of the Plan before the Plan can be confirmed.

(a) The Bankruptcy Court shall have made such findings and determinations regarding the Plan as shall enable the entry of the Confirmation Order in a manner consistent with the provisions of the Plan and in a form satisfactory to the Debtor.

Conditions Precedent to the Effective Date. The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or may be waived in accordance with Article 11.2 of the Plan:

(a) The Confirmation Order shall have been entered by the Bankruptcy Court and the Confirmation Order and any order of the District Court shall be in form and substance acceptable to the Debtor and the Liquidating Trustee, and the Confirmation Order (and any affirming order of the District Court) shall have become a Final Order; provided, however; that the Effective Date may occur at a point in time when the Confirmation Order is not a Final Order at the option of the Debtor unless the effectiveness of the Confirmation Order has been stayed, reversed or vacated. The Effective Date may occur, again at the option of the Debtor, on the first Business Day immediately following the expiration or other termination of any stay of effectiveness of the Confirmation Order; and

(b) The Plan Documents necessary or appropriate to implement the Plan shall have been executed and delivered; all conditions precedent to the effectiveness of each of such Plan Documents shall have been satisfied or waived by the respective parties thereto; and the Plan Documents shall be in full force and effect. The Plan Documents shall be acceptable to the Liquidating Trustee and the Debtor.

Injunction, Exculpation from Liability and Releases.

Article 12 of the Plan contains detailed exculpation and injunction provisions for the benefit of the Debtor and other parties. Set forth below is a summary of these provisions.

Exculpation from Liability. **The Debtor and its officers, directors, shareholders, agents and employees and their Professionals (acting in such capacity), shall neither have nor incur any liability whatsoever to any Person or Entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, any Plan Document, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan or the Liquidation Case; provided, however, that this exculpation from liability provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from gross mismanagement, breach of fiduciary duty, fraud or the willful misconduct of any such party; and, provided further, that this exculpation from liability provision shall not be applicable to any Insiders. The rights granted under Article 12.1 of the Plan are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Debtor and its Professionals have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of Article 12.1 of the Plan shall not release or be deemed a release of any of the Causes of Action.**

Releases by Debtor. **Upon the Effective Date, the Debtor, including the Liquidating Trust, shall be deemed to release unconditionally all of the Debtor's current respective officers, directors, employees, partners, advisors, attorneys, financial advisors, accountants, and other professionals, acting in their capacities as such (collectively the "Released Parties" and each a "Released Party") from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, or any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, or the Plan, except that (i) no**

individual shall be released from any act or omission that constitutes gross negligence or willful misconduct (notwithstanding this clause) (i) the foregoing release applies to the Released Parties solely in their respective capacities described above and (ii) notwithstanding any other provisions of the Plan, the foregoing release shall not affect the creation of the Liquidating Trust, provided however that this release shall not extend or in any way release Ed Vrana.

Lenders Release. **Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the later to occur of (i) a Final Order in the Lien Claimants' Adversary Proceeding, (ii) a Final Order(s) resolving all claims asserted during the Challenge Period described in the Final Cash Collateral Order, against the Lenders separate and apart from the Lien Claimants Adversary Proceeding, (iii) the end of the Challenge Period described in the Final Cash Collateral Order, the Agent and each Lender is deemed released and discharged by the Debtor, the Reorganized Debtor, and its Estate from any and all causes of action, including any derivative claims asserted on behalf of the Debtor, that the Debtor, the Reorganized Debtor, or its Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest, or that any Holder of any Claim or Interest could have asserted on behalf of the Debtor, based on or relating to, or in any manner arising from, in whole or in part: (i) the Debtor, or the Debtor's in- or out-of-court restructuring efforts; (ii) any contract, instrument, or other agreement or document created or entered into by the Debtor and the Agent; (iii)the Chapter 11 Case, the Disclosure Statement, the Plan, the filing of the Chapter 11 Case, the pursuit of confirmation, the pursuit of consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement; or (iv) any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.**

Term of Certain Injunctions and Automatic Stay. All injunctions or automatic stays provided for in the Chapter 11 Case and Liquidating Trust Agreement pursuant to Sections 105, 362 or other applicable provisions of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect as provided in Section 362 of the Bankruptcy Code.

With respect to all arbitrations and all lawsuits pending in courts in any jurisdiction (other than the Bankruptcy Court and arbitration proceedings) that seek to establish the Debtor's liability on Prepetition Claims asserted therein and that are stayed pursuant to Section 362 of the Bankruptcy Code, such lawsuits and arbitrations shall be deemed dismissed only with respect to the Debtor as of the Effective Date, unless the Liquidating Trustee with respect to Claims to be satisfied by it elects to have the Debtor's liability established by such other courts, and any pending motions seeking relief from the automatic stay for purposes of continuing any such lawsuits in such other courts shall be deemed denied as of the Effective Date, and the automatic stay shall continue in effect, unless the Liquidating Trustee elects to have the automatic stay lifted and to have the Debtor's liability established by such other courts; and the Prepetition Claims at issue in such lawsuits shall be determined and either Allowed or disallowed in whole or part by the

Bankruptcy Court pursuant to the applicable provisions of the Plan, unless otherwise elected by the Debtor as provided herein.

Any preliminary or permanent injunction entered by the Bankruptcy Court shall continue in full force and effect following the Confirmation Date and the Final Decree Date, unless otherwise ordered by the Bankruptcy Court.

No Liability for Tax Claims. Unless a taxing Governmental Authority has asserted a Claim against the Debtor before the Bar Date or Administrative Claims Bar Date established therefore, no Claim of such Governmental Authority shall be Allowed against the Debtor for taxes, penalties, interest, additions to tax or other charges arising out of (i) the failure, if any, of the Debtor, any of its Affiliates, or any other Person or Entity to have paid any tax due or to have filed any tax return (including any income, sales or franchise tax return) in or for any tax period ending on or prior to the Effective Date or (ii) an audit of any tax return of the Debtor for a tax period ending on or prior to the Effective Date.

Section 1146 Exemption. Pursuant to Section 1146(a) of the Bankruptcy Code, the issuance, distribution, transfer, or exchange of any security or the making, delivery or recording of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan or any Plan Document, or the revesting, transfer or sale of any real or personal Property of, by or in the Debtor pursuant to, in implementation of, or as contemplated by the Plan or any Plan Document, or any transaction arising out of, contemplated by or in any way related to the foregoing, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangible or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall be, and hereby are, directed to forego the collection of any such tax or governmental assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

Retention of Jurisdiction. The Plan provides for the retention of jurisdiction by the Bankruptcy Court following the Effective Date to, among other things, determine all disputes relating to Claims, Equity Interests, and other issues presented by or arising under the Plan. The Bankruptcy Court will also retain jurisdiction under the Plan for any actions brought in connection with the implementation and consummation of the Plan and the transactions contemplated thereby. See Article 13 of the Plan for a more detailed description.

ARTICLE VIII

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES.

THE DEBTOR IS NOT AWARE OF ANY ADVERSE TAX CONSEQUENCE TO IT RESULTING FROM CONFIRMATION OF THE PLAN.

ARTICLE IX

VOTING ON AND CONFIRMATION OF THE PLAN

Confirmation and Acceptance by All Impaired Classes

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan if all of the requirements of Bankruptcy Code Section 1129 are met. Among the requirements for confirmation of a Plan are that the Plan be accepted by all impaired classes of claims and equity interests, and satisfaction of the matters described below.

Feasibility. A Plan may be confirmed only if it is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. The Debtor believes that the parties will be able to perform their obligations under the Plan without further financial reorganization.

The Plan basically provides for the sale of assets and payment to Holders of Allowed Claims, including contingent, unliquidated, and Disputed Claims, to the extent they become Allowed Claims, in the order of their priority. The Plan further authorizes and directs the Debtor to take all actions to implement the Plan. Accordingly, the Debtor believes that the Plan is per se feasible.

The obligations under the Plan to Holders of contingent, unliquidated, and Disputed Claims cannot be ascertained without the determination of the validity and amount of those Claims by the Bankruptcy Court. Until the Claim determination process is complete, the exact amount to be received by Unsecured Creditors cannot be ascertained.

Best Interests Standard. The Bankruptcy Code requires that the Plan meet the "best interest" test, which requires that members of a Class must receive or retain under the Plan, property having a value not less than the amount which the Class members would have received or retained if the Debtor was liquidated under Chapter 7 on the same date. As set forth in the attached liquidation analysis, the Debtor believes that distributions to all Impaired Classes of Claims in accordance with the terms of the Plan would exceed the net distribution that would otherwise take place in Chapter 7.

Confirmation Without Acceptance by All Impaired Classes

If one or more of the Impaired Classes of Claims or Equity Interests does not accept the Plan, the Plan may nevertheless be confirmed and be binding upon the non-accepting Impaired Class under the "cram-down" provisions of the Bankruptcy Code, if the Plan does not "discriminate unfairly" and is "fair and equitable" to the non-accepting Impaired Classes under the Plan.

Discriminate Unfairly. The Bankruptcy Code requirement that a Plan not "discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. The Debtor believes that the Plan does not "discriminate unfairly" with respect to any Class of Claims or Equity Interests because no class is afforded treatment which is disproportionate to the treatment afforded other Classes of equal rank.

Fair and Equitable Standard. The "fair and equitable" standard, also known as the "absolute priority rule," requires that a dissenting class receive full compensation for its allowed claims or interests before any junior class receives any distribution. The Debtor believe the Plan is fair and equitable to all Classes pursuant to this standard.

With respect to the Impaired Classes of Unsecured Claims, Bankruptcy Code Section 1129(b)(2)(B) provides that a Plan is "fair and equitable" if it provides that (i) each holder of a claim of such a class receives or retains on account of such claim, property of a value as of the effective date of the Plan equal to the allowed amount of such claim; or (ii) the Holder of any claim or interest that is junior to the claims of such class will not receive or retain any property under the Plan on account of such junior claim or interest. The Debtor believes that the Plan meets these standards.

With respect to Impaired Classes of Equity Interests, Bankruptcy Code Section 1129(b)(2)(C) provides that a Plan is "fair and equitable" if it provides that (i) each stockholder receives or retains on account of its stockholder interest, property of a value equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (ii) the holder of any interest that is junior to the interests of such class will not receive or retain any property under the Plan. The Debtor believes that the Plan meets these standards.

Accordingly, if necessary, the Debtor believes that the Plan meets the requirements for Confirmation by the Bankruptcy Court, notwithstanding the non-acceptance by an Impaired Class of Claims or Holders of Equity Interests.

The Debtor intends to evaluate the results of the balloting to determine whether to seek Confirmation of the Plan in the event that less than all the Impaired Classes of Claims or Equity Interests do not vote to accept the Plan. The determination as to whether to seek Confirmation under such circumstances will be announced before or at the Confirmation Hearing.

ARTICLE X

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed, the potential alternatives include (a) alternative Plan under Chapter 11 (including a liquidation Plan), (b) dismissal of the case, or (c) conversion of the case to case under Chapter 7 of the Bankruptcy Code.

Alternative Amended Plans of Liquidation

If the Plan is not confirmed, the Debtor or any other party in interest in the Liquidation Case could attempt to formulate and propose a different Plan or Amended Plans. The Debtor believes that the Plan will enable Creditors to be paid the maximum amount possible for their Allowed Claims.

Liquidation under Chapter 7 or Chapter 11

If a Plan is not confirmed, the Liquidation Case may be converted to Chapter 7 liquidation case. In a Chapter 7 case, a trustee would be elected or appointed to liquidate the assets of the Debtor. Converting the case to Chapter 7 case would simply add an additional layer of administrative expenses to the Estate which would substantially reduce and possibly eliminate any funds available for distribution to Unsecured Creditors. The proceeds of the liquidation would be distributed to the Creditors and Holders of Equity Interests of the Debtor in accordance with the priorities established by the Bankruptcy Code.

In general, the Debtor believes that liquidation under Chapter 7 would result in diminution of the value of the interests of the Creditors because of (a) additional administrative expenses involved in the appointment of trustees for each estate and attorneys, accountants, and other professionals to assist such trustees; (b) additional expenses and claims, some of which might be entitled to priority, which would arise by reason of the liquidation; (c) failure to realize the full value of the Debtor's assets; (d) the inability to utilize the work product and knowledge of the Debtor's Professionals; and (e) the substantial delay which would elapse before Creditors would receive any distribution in respect of their Claims.

ARTICLE XI

SUMMARY, RECOMMENDATION AND CONCLUSION

The Plan provides for an orderly and prompt distribution to Holders of Allowed Claims against the Debtor. The Debtor believes that its efforts to maximize the return for Creditors have been full and complete. The Debtor further believes that the Plan is in the best interests of all Creditors, because, among other things, it is anticipated that all Unsecured Creditors will be paid more than they would receive under any alternative. In the event of a liquidation of the Debtor's assets under Chapter 7 of the Bankruptcy Code, the Debtor believes there would be little or no distribution to Unsecured Creditors. For these reasons, the Debtor urges that the Plan is in the best interests of all Creditors and that the Plan be accepted.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Dated as March 15, 2018

Respectfully submitted

FIRST RIVER ENERGY, LLC

By:____
Scott Avila, Chief Restructuring Officer

/s/ David W. Parham
David W. Parham, SBN: 15459500
John E. Mitchell, SBN: 00797095
Scott Lawrence, SBN: 24087896
2001 Ross Avenue, Suite 3600
Dallas, TX 75201
Telephone: (214) 720-4300
Facsimile: (214) 981-9339
david.parham@akerman.com
john.mitchell@akerman.com
scott.lawrence@akerman.com

Counsel for the Debtor